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UNCLAS SECTION 01 OF 03 KINSHASA 001407

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STATE FOR EB/IFD/OIR, STATE PASS TO USTR, COMMERCE PASS TO
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E.O. 12958: N/A

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SUBJECT: INVESTMENT CLIMATE STATEMENT APPENDIX 2004

REF: STATE 141379

1. Per Reftel, Post submits ICS appendix below.

DEMOCRATIC REPUBLIC OF CONGO: July 2004 Appendix to 2003
Investment Climate Statement.

This appendix serves as an update to the 2003 Investment Climate Statement for the Democratic Republic of Congo. It has been provided to assist investors in the interim period resulting from the U.S. Government's decision to begin publishing the Country Commercial Guide (of which the Investment Climate Statement is a chapter) on a calendar year basis, in January instead of August.

The United States Government has reviewed the 2003 Investment Climate Statement for the Democratic Republic of Congo, and has noted the following changes that have occurred since its publication. In most circumstances, if a portion of the Investment Climate Statement has not been modified in this appendix, it is because the U.S. Government is satisfied that it continues to accurately reflect the state of affairs in the Democratic Republic of Congo as of July 2004.

Openness to Foreign Investment

Since 2003, two positive developments have marginally improved the investment climate in the Democratic Republic of Congo. First, the Port of Matadi has almost completed upgrades to comply with International Shipping and Port Facility Security guidelines, as mandated by the International Maritime Organization. This combined with slightly improved functioning of the "Guichet Unique" - a one-stop electronic customs and fees payment bureau developed by the World Bank - allow for greater ease in transport of goods to the Democratic Republic of Congo.

Second, after one-year of operations, the Cadastre Minier (Cami - Mining Concessions Authority) appears to be functioning reasonably well. Although currently not accepting new applications, major international mining companies have lauded Cami's performance to date. Decisions appear to have been made fairly and according to the law.

Conversion and Transfer Policies

The Congolese Franc continues to remain stable at approximately 390 Francs to the U.S. dollar. Exchange rates on the informal market in the former rebel controlled areas (Equateur, Kivu and Oriental Provinces) have largely converged with those of the former government controlled areas (Kinshasa, Katanga, the Kasais and Bas-Congo provinces).

The IMF believes the Congolese Central Bank (BCC) has done an adequate job managing monetary policy. It was able to release larger denomination 200 and 500 Franc notes during 2003-2004 without experiencing bouts of speculation against the Franc.

Expropriation and Compensation

In early-2004, one claimant under the U.S.-Zaire Bilateral Investment Treaty won a settlement from the International Center for the Settlement of Investment Disputes (ICSID). However, the claimant has not yet been able to collect the payment from the Congolese government.

Nevertheless, threats of expropriation or of a disadvantageous "revision" of a contract or concession are always present.

Dispute Settlement

No significant changes since 2003.

Performance Requirements and Incentives

No significant changes since 2003.

Right to Private Ownership and Establishment

No significant changes since 2003.

Transparency of the Regulatory System

Only one significant change in the regulatory environment has taken place since 2003. The establishment of the aforementioned "Guichet Unique" at Matadi (and also at Kinshasa) has helped to streamline customs and fees payments when importing or exporting goods. The "Guichet Unique" is not yet fully functioning - some government services are still trying to escape incorporation into the system and technical/electronic difficulties resulting from poorly trained personnel - however, it is a step in the right direction.

Capital Markets and Portfolio Investment

No significant changes since 2003.

Political Violence

Congo has suffered periodic bouts of widespread looting initiated by the military, including in 1991, 1993, and 1996-1997. There was also limited widescale looting initiated by civilians in 2004. Due to civilian frustration as well as poor military pay and discipline, the possibility of future widespread looting cannot be ruled out.

In June 2003, a transitional government was established to prepare the country for multi-party elections in 2005 or 2006. The central government exercises limited control in eastern Congo, and armed skirmishes continue in parts of Katanga, Orientale, and North and South Kivu provinces.

Corruption

No significant changes since 2003.

Bilateral Investment Treaties

No significant changes since 2003.

OPIC and Other Investment Insurance Programs

OPIC is currently accepting applications for political risk insurance for companies operating in the Democratic Republic of Congo. It is presently reviewing several applications submitted in the first half of CY 2004.

Labor

No significant changes since 2003.

Foreign Trade Zones/Free Ports

No significant changes since 2003.

Foreign Direct Investment Statistics

The following are Congolese Central Bank (BCC) estimates of FDI for 2001 and 2002. The quality of these statistics is undetermined.

Total Flows (U.S. dollars million):

	2001	2002
In DRC:	82.0	141.1
Abroad:	0.0	16.5
Net:	82.0	124.5

Source: BCC Annual Report 2002-2003

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